



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 18, 2008

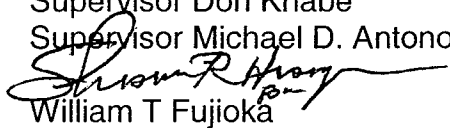
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To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

State Budget Update

The Assembly convened yesterday to vote on **AB 1781**, the Conference Committee Budget Report, and debated the proposed budget plan for over four hours with 49 legislators contributing colorful and heated partisan testimony. Although the proposed measure garnered a majority vote of 45 to 30, it fell short of the two-thirds vote required to pass a budget. No Republican members voted for the proposed plan. A companion bill, **SB 1072**, which contained a number of provisions related to the State Budget, was not voted on by the Assembly. This bill is not yet available in print.

Among the items in SB 1072 which were discussed during the Assembly debate was a revised tax package, which retained a proposed \$6.7 billion in additional taxes, and according to Democratic Assembly Members, represents the only viable option to avoid balancing the State Budget through cuts alone. The proposed tax increases include: 1) creation of new 10 percent and 11 percent tax brackets for joint filers with taxable incomes over \$321,000 and \$642,000, respectively (\$5.1 billion); 2) suspension of the Net Operating Loss (NOL) deductions for three years (\$1.1 billion), however, the proposal extends the carry-forward time period from 10 years to 20 years; and 3) an increase in the Corporate Income Tax rate from 8.84 percent to 9.3 percent (\$470 million). Two items, the suspension of indexing of the personal income tax (\$815 million) and the reduction of the dependent tax credit (\$215 million), were deleted from the Democrat's tax proposal.

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Another key component of the revised package is a proposal to increase the size of the Budget Stabilization Account (BSA), which was established by The California Balanced Budget Act of 2004, from 5 percent to 10 percent of General Fund revenues. Transfers from the BSA to the General Fund must be contained in a stand-alone bill with no unrelated provisions, thus making it more difficult to access these funds.

The Assembly Democrat's proposal does not include suspension of Proposition 1A, the Protection of Local Government Revenues Act of 2004, or Proposition 42, the Transportation Congestion Improvement Act of 2002. We also understand that the Assembly version of the budget includes securitization of the State Lottery which must be approved by the voters on the November 2008 ballot. The plan would have no effect on the FY 2008-09 State Budget, but it would provide an estimated \$5 billion in FY 2009-10 and FY 2010-11.

Status of County Advocacy Legislation

County-supported AB 2527 (Berg), as amended on July 10, 2008, which would clarify provisions that govern local public agency participation in the Targeted Case Management and Medi-Cal Administrative Activities billing options, passed the Assembly on August 13, 2008, by a vote of 76 to 0, and will be held at the Assembly Desk until the adoption of a State Budget.

County-opposed AB 2702 (Nuñez), as amended on August 6, 2008, which would require Maddy Emergency Medical Services Funds designated for 9-1-1 basic emergency rooms to be distributed to Community and Mission Park Hospital of Huntington Park, which has a standby emergency room, passed the Senate on August 14, 2008, by a vote of 21 to 15, and now proceeds to the Assembly for concurrence in Senate amendments.

County-supported SB 1738 (Steinberg), as amended on July 2, 2008, which would establish the Frequent Users Of Health Care Pilot Program for three years to 2,500 Medi-Cal beneficiaries who are designated as frequent users of health care, passed the Assembly on August 14, 2008, by a vote of 56 to 2, and now proceeds to the Senate for concurrence in Assembly amendments.

We will continue to keep you advised.

WTF:GK:ML
MR:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions